

**EAST GREENE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

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**EAST GREENE COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2004 Election)

Katherine Neese	President	2005
Timothy J. Bardole	Vice President	2004
Mark Gannon		2005
Julie Derry		2004
Marc Hoffman		2006

(After September, 2004 Election)

Katherine Neese	President	2005
Timothy J. Bardole	Vice President	2007
Mark Gannon		2005
Julie Derry		2007
Marc Hoffman		2006

**SCHOOL OFFICIALS**

G. Michael Harter	Superintendent
Brenda Muir	District Secretary
Jenny Wessling	District Treasurer

## **Independent Auditor's Report**

To the Board of Education of the  
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District, Grand Junction, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 29, 2005 on our consideration of East Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Greene Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

August 29, 2005

## **EAST GREENE COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

East Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,312,450 in fiscal year 2004 to \$3,526,998 in fiscal year 2005, while General Fund expenditures increased from \$3,545,115 in fiscal year 2004 to \$3,583,885 in fiscal year 2005.
- The increase in General Fund revenues was primarily attributable to increased Federal Grant activity. The increase in expenditures was due primarily to annual raises for employees as well as increased grant activity.
- The District began to collect local option sales tax funds from Greene County in the June 30, 2005 fiscal year. Most of the District's students reside in Greene County thus the revenues from sales taxes increased over \$185,000 from the previous year.
- The District's Certified Enrollment increased by 10.0 students from September, 2003 to September, 2004. The BEDS enrollment figure (includes students tuitioned in and excludes tuitioned out students) increased by 24 students.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Greene Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Greene Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Greene Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**East Greene Community School District**

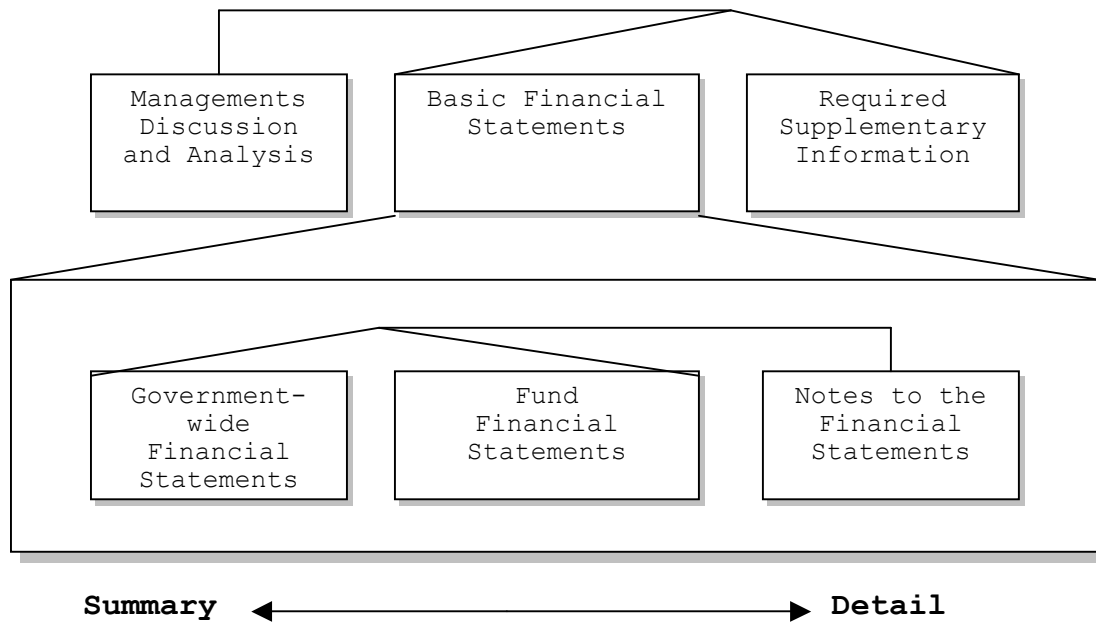


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	\$	\$	\$	\$	
Current assets	2,644	2,387	39	18	2,683	2,405	11.56%
Capital assets	832	857	35	38	867	895	-3.13%
<b>Total assets</b>	<b>3,476</b>	<b>3,244</b>	<b>74</b>	<b>56</b>	<b>3,550</b>	<b>3,300</b>	<b>7.58%</b>
Current liabilities	2,325	2,117	3	1	2,328	2,118	9.92%
Non-current liabilities	53	85	-	-	53	85	-37.65%
<b>Total liabilities</b>	<b>2,378</b>	<b>2,202</b>	<b>3</b>	<b>1</b>	<b>2,381</b>	<b>2,203</b>	<b>8.08%</b>
Net Assets							
Invested in capital assets, net of related debt	788	801	35	38	823	839	-1.91%
Restricted	143	59	-	-	143	59	142.37%
Unrestricted	167	182	36	17	203	199	2.01%
<b>Total net assets</b>	<b>1,098</b>	<b>1,042</b>	<b>71</b>	<b>55</b>	<b>1,169</b>	<b>1,097</b>	<b>6.56%</b>

The District's combined net assets decreased by over 6%, or approximately \$70,000 over the prior year. This was due almost entirely to the increased sales tax revenues in the Capital Projects Fund.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$4,000 or 2%. The increase came from an increase in the School Nutrition Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	185	62	247
Operating grants, contributions and restricted interest	630	91	721
General revenues:			
Property tax	1,346	-	1,346
Income surtax	144	-	144
Local option sales tax	189	-	189
Unrestricted state grants	1,546	-	1,546
Unrestricted investment earnings	8	-	8
Other	2	-	2
Total revenues	<u>4,050</u>	<u>153</u>	<u>4,203</u>
Program expenses:			
Governmental activities:			
Instruction	2,623	-	2,623
Support Services	1,011	-	1,011
Non-instructional programs	3	137	140
Other expenses	<u>357</u>	<u>-</u>	<u>357</u>
Total expenses	<u>3,994</u>	<u>137</u>	<u>4,131</u>
Change in net assets	<u>56</u>	<u>16</u>	<u>72</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$4,049,085 and expenses were \$3,993,319.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(expressed in thousands)**

	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,623	1,953
Support Services	1,011	995
Non-instructional programs	3	3
Other expenditures	<u>357</u>	<u>228</u>
Totals	<u>3,994</u>	<u>3,179</u>

- The cost financed by users of the District's programs was \$184,853.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$500,474.
- The net cost of governmental activities was financed with \$1,346,178 in property and other local taxes and \$1,546,380 in unrestricted state grants.

**Business-Type Activities**

Revenues for business type activities were \$153,198 and expenses were \$137,447. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, East Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,097,764, a five percent increase over last year's ending fund balances of \$1,041,998.

**Governmental Fund Highlights**

- The District's declining General Fund financial position is the result of several factors. The District has carefully monitored discretionary spending to avoid decreases in fund balances. Grants are obtained whenever possible to enhance the District's educational offerings.
- The District began collecting sales tax revenues from Greene County in July, 2004, this greatly increased the sales tax revenues as the majority of the District's students reside in Greene County.

**Proprietary Fund Highlights**

The School Nutrition Fund balance increased approximately \$16,000 during the fiscal year ending June 30, 2005. This was a result of increased revenue and cost control measures.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$80,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected Federal grant activity.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's total certified budget should always exceed total actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested almost \$1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year was \$96,625.

The original cost of the District's capital assets was \$2,645,369. Governmental funds account for \$2,582,340, with the remainder of \$63,029 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6  
Condensed Statement of Net Assets  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	20	20	-	-	20	20	0.00%
Land improvements	65	77	-	-	65	77	0.00%
Buildings	288	322	-	-	288	322	-10.56%
Furniture and equipment	459	438	35	38	494	476	3.78%
Totals	832	857	35	38	867	895	-3.13%

### Long-term Debt

The District has a Technology Note Payable of \$44,800 for a building addition and ICN equipment at the high school building. The loan is a zero percent loan from Midwest Power Cooperative. Four payments of \$11,200 each are remaining.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed by Boone County in 2003 and money began to be received by the District in March of 2004. Greene County also passed the tax and collections on that began in July, 2004. These funds will be used for infrastructure projects.

- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Enrollment driven revenues, such as property taxes, and state foundation aid, can only be maintained by maintaining or increasing the District's student count.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, East Greene Community School District, 405 12<sup>th</sup> St S, Grand Junction, Iowa 50107.

## Basic Financial Statements

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	186,427	15,586	202,013
ISCAP investments	937,680	-	937,680
Receivables:			
Property tax:			
Current year	23,648	-	23,648
Succeeding year	1,315,490	-	1,315,490
Income surtax	64,886	-	64,886
Due from other governments	110,584	-	110,584
ISCAP accrued interest	4,226	-	4,226
Other receivables	516	6,061	6,577
Inventories	-	17,055	17,055
Capital assets, net of accumulated depreciation (note 3)	832,423	35,239	867,662
<b>Total assets</b>	<b>3,475,880</b>	<b>73,941</b>	<b>3,549,821</b>
<b>Liabilities</b>			
Accounts payable	60,441	3,069	63,510
ISCAP warrants payable	934,000	-	934,000
ISCAP accrued interest payable	14,799	-	14,799
Deferred revenue:			
Succeeding year property tax	1,315,490	-	1,315,490
Long term liabilities:			
Portion due within one year:			
Early retirement	8,586	-	8,586
Technology note payable	11,200	-	11,200
Portion due after one year:			
Technology note payable	33,600	-	33,600
<b>Total liabilities</b>	<b>2,378,116</b>	<b>3,069</b>	<b>2,381,185</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	787,623	35,239	822,862
Restricted for:			
Management fund	27,902	-	27,902
Capital projects	112,315	-	112,315
Physical plant and equipment levy	2,437	-	2,437
Unrestricted	167,487	35,633	203,120
<b>Total net assets</b>	<b>1,097,764</b>	<b>70,872</b>	<b>1,168,636</b>

See notes to financial statements.



## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

Functions/Programs

## Governmental activities:

## Instruction:

Regular instruction	1,749,984	149,694	144,320	(1,455,970)	-	(1,455,970)
Special instruction	572,351	31,195	224,278	(316,878)	-	(316,878)
Other instruction	300,277	-	120,031	(180,246)	-	(180,246)
	<u>2,622,612</u>	<u>180,889</u>	<u>488,629</u>	<u>(1,953,094)</u>	<u>-</u>	<u>(1,953,094)</u>

## Support services:

Student services	68,904	-	3,173	(65,731)	-	(65,731)
Instructional staff services	144,555	-	-	(144,555)	-	(144,555)
Administration services	415,716	3,964	-	(411,752)	-	(411,752)
Operation and maintenance of plant services	243,296	-	8,903	(234,393)	-	(234,393)
Transportation services	138,067	-	-	(138,067)	-	(138,067)
	<u>1,010,538</u>	<u>3,964</u>	<u>12,076</u>	<u>(994,498)</u>	<u>-</u>	<u>(994,498)</u>

## Non-instructional programs:

Community service & education	3,224	-	-	(3,224)	-	(3,224)
	<u>3,224</u>	<u>-</u>	<u>-</u>	<u>(3,224)</u>	<u>-</u>	<u>(3,224)</u>

## Other expenditures:

Facilities acquisition and construction	136,975	-	375	(136,600)	-	(136,600)
AEA flowthrough	128,599	-	128,599	-	-	-
Depreciation (unallocated)*	91,371	-	-	(91,371)	-	(91,371)
	<u>356,945</u>	<u>-</u>	<u>128,974</u>	<u>(227,971)</u>	<u>-</u>	<u>(227,971)</u>

Total governmental activities	3,993,319	184,853	629,679	(3,178,787)	-	(3,178,787)
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## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

	Program Revenues				
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Expenses	Service				Total
\$	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Nutrition services	137,447	62,413	90,785	-	15,751
Total	4,130,766	247,266	720,464	(3,178,787)	(3,163,036)
General revenues:					
Property tax levied for:					
General purposes				1,207,264	-
Management fund				59,798	-
Capital outlay				79,116	-
Income surtax				143,573	-
Local option sales tax				188,978	-
Unrestricted state grants				1,546,380	-
Unrestricted investment earnings				7,788	-
Other				1,656	-
Total general revenue				3,234,553	-
Change in net assets				55,766	15,751
Net assets beginning of year				1,041,998	55,121
Net assets end of year				1,097,764	70,872

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2005

	General	Capital	Non-major	Total
	General	Projects	Special	Total
	\$		Revenue	\$
	\$		\$	\$
<b>Assets</b>				
Cash and pooled investments	35,300	82,791	68,336	186,427
ISCAP investments	937,680	-	-	937,680
Receivables:				
Property tax:				
Current year	21,208	-	2,440	23,648
Succeeding year	1,145,044	-	170,446	1,315,490
Income surtax	64,886	-	-	64,886
Due from other governments	28,250	82,334	-	110,584
ISCAP accrued interest	4,226	-	-	4,226
Other receivables	516	-	-	516
<b>Total assets</b>	<u>2,237,110</u>	<u>165,125</u>	<u>241,222</u>	<u>2,643,457</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	7,631	52,810	-	60,441
ISCAP warrants payable	934,000	-	-	934,000
ISCAP accrued interest payable	14,799	-	-	14,799
Deferred revenue:				
Succeeding year property tax	1,145,044	-	170,446	1,315,490
Income surtax	64,886	-	-	64,886
Total liabilities	<u>2,166,360</u>	<u>52,810</u>	<u>170,446</u>	<u>2,389,616</u>
Fund balances:				
Reserved for capital projects	-	112,315	-	112,315
Unreserved, undesignated	70,750	-	70,776	141,526
Total fund balances	<u>70,750</u>	<u>112,315</u>	<u>70,776</u>	<u>253,841</u>
<b>Total liabilities and fund balances</b>	<u>2,237,110</u>	<u>165,125</u>	<u>241,222</u>	<u>2,643,457</u>

See notes to financial statements.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

<b>Total fund balances of governmental funds (Exhibit C)</b>		\$ 253,841
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		64,886
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		832,423
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement payable	\$ (8,586)	
Technology note payable	(44,800)	(53,386)
<b>Net assets of governmental activities (Exhibit A)</b>		<u>\$ 1,097,764</u>

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,285,951	-	188,978	138,914	1,613,843
Tuition	136,591	-	-	-	136,591
Other	57,706	-	375	128,830	186,911
State sources	1,817,180	-	-	104	1,817,284
Federal sources	229,570	-	-	-	229,570
Total revenues	3,526,998	-	189,353	267,848	3,984,199
Expenditures:					
Instruction:					
Regular instruction	1,738,889	-	-	31,152	1,770,041
Special instruction	572,351	-	-	-	572,351
Other instruction	177,745	-	-	122,532	300,277
	2,488,985	-	-	153,684	2,642,669
Support services:					
Student services	58,638	-	-	10,266	68,904
Instructional staff services	138,913	-	-	26,025	164,938
Administration services	411,642	-	-	4,074	415,716
Operation and maintenance of plant services	223,267	-	-	20,029	243,296
Transportation services	130,617	-	-	54,179	184,796
	963,077	-	-	114,573	1,077,650
Non-instructional programs:					
Community service & education	3,224	-	-	-	3,224
	3,224	-	-	-	3,224
Other expenditures:					
Long-term debt:					
Principal	-	11,200	-	-	11,200
Facilities acquisition and construction	-	-	78,730	58,245	136,975
AEA flowthrough	128,599	-	-	-	128,599
	128,599	11,200	78,730	58,245	276,774
Total expenditures	3,583,885	11,200	78,730	326,502	4,000,317

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(56,887)	(11,200)	110,623	(58,654)	(16,118)
Other financing sources (uses):					
Operating transfers in	-	11,200	-	-	11,200
Operating transfers out	-	-	-	(11,200)	(11,200)
	-	11,200	-	(11,200)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(56,887)	-	110,623	(69,854)	(16,118)
Fund balances beginning of year	127,637	-	1,692	140,630	269,959
Fund balances end of year	70,750	-	112,315	70,776	253,841

See notes to financial statements.

**EAST GREENE COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2005

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (16,118)

**Amounts reported for governmental activities in the statement of  
activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income  
until received in the governmental funds, however it is shown as a  
revenue in the Statement of Activities. 64,886

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are reported  
in the Statement of Net Assets and are allocated over their estimated  
useful lives as depreciation expense in the Statement of Activities.  
The amounts of capital outlays and depreciation expense in the year  
are as follows:

Capital outlays	67,112	
Depreciation expense	<u>(91,371)</u>	(24,259)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets.  
Current year repayments, are as follows:

Technology loan note payable	11,200
------------------------------	--------

Some expenses reported in the Statement of Activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in the governmental funds, as follows:

Early retirement	<u>20,057</u>
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**Change in net assets of governmental activities (Exhibit B)** \$ 55,766

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>62,413</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	46,460
Benefits	25,246
Services	1,598
Supplies	58,441
Property	448
Depreciation	<u>5,254</u>
Total operating expenses	<u>137,447</u>
Operating (loss)	<u>(75,034)</u>
Non-operating revenues:	
Interest on investments	109
State sources	2,079
Federal sources	<u>88,597</u>
	<u>90,785</u>
Change in net assets	15,751
Net assets beginning of year	<u>55,121</u>
Net assets end of year	<u><u>70,872</u></u>

See notes to financial statements.



## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	56,472
Cash payments to employees for services	(71,706)
Cash payments to suppliers for goods or services	(61,331)
Net cash (used in) operating activities	<u>(76,565)</u>
Cash flows from non-capital financing activities:	
State grants received	2,079
Federal grants received	79,105
Net cash provided by non-capital financing activities	<u>81,184</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(2,401)
Cash flows from investing activities:	
Interest on investments	<u>109</u>
Net increase in cash and cash equivalents	2,327
Cash and cash equivalents beginning of year	<u>13,259</u>
Cash and cash equivalents end of year	<u><u>15,586</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(75,034)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,254
Commodities used	9,492
(Increase) in other receivables	(5,941)
(Increase) in inventory	(11,946)
Increase in accounts payable	1,610
	<u>(76,565)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>15,586</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received federal commodities valued at \$9,492.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts <u>Scholarships</u>	Agency <u>Funds</u>
	\$	\$
<b>Assets</b>		
Cash and pooled investments	<u>59,585</u>	<u>982</u>
Total assets	<u>59,585</u>	<u>982</u>
<b>Liabilities</b>		
Other payables	<u>-</u>	<u>982</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>59,585</u>	<u>-</u>

See notes to financial statements.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
Additions:	
Local sources:	
Contributions	1,072
Interest on investments	<u>1,041</u>
Total additions	<u>2,113</u>
Deductions:	
Instruction:	
Other	<u>5,125</u>
Total deductions	<u>5,125</u>
Change in net assets	(3,012)
Net assets beginning of year	<u>62,597</u>
Net assets end of year	<u><u>59,585</u></u>

See notes to financial statements.

**EAST GREENE COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2005**

**(1) Summary of Significant Accounting Policies**

East Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Grand Junction and Rippey, Iowa, and agricultural territory in Greene and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, East Greene Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene and Boone County Assessor's Conference Boards.

**B. Basis of Presentation**

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures exceeded the amounts budgeted in the Non-instructional Program and Other Expenditures Functions.

## (2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

## (3) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:				
Land Improvements	273,787	-	-	273,787
Buildings	999,681	-	15,883	983,798
Furniture and Equipment	<u>1,371,156</u>	<u>67,112</u>	<u>133,513</u>	<u>1,304,755</u>
Total capital assets being depreciated	<u>2,644,624</u>	<u>67,112</u>	<u>149,396</u>	<u>2,562,340</u>
Less accumulated depreciation for:				
Land Improvements	197,011	10,951	-	207,962
Buildings	678,244	34,055	15,883	696,416
Furniture and Equipment	<u>932,687</u>	<u>46,365</u>	<u>133,513</u>	<u>845,539</u>
Total accumulated depreciation	<u>1,807,942</u>	<u>91,371</u>	<u>149,396</u>	<u>1,749,917</u>
Total capital assets being depreciated, net	<u>836,682</u>	<u>(24,259)</u>	<u>-</u>	<u>812,423</u>
Governmental activities, capital assets, net	<u>856,682</u>	<u>(24,259)</u>	<u>-</u>	<u>832,423</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	60,628	2,401	-	63,029
Less accumulated depreciation	<u>22,536</u>	<u>5,254</u>	<u>-</u>	<u>27,790</u>
Business type activities capital assets, net	<u>38,092</u>	<u>(2,853)</u>	<u>-</u>	<u>35,239</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated 91,371

Business Type activities:

Food service operations 5,254

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$115,755, \$120,648, and \$118,621 respectively, equal to the required contributions for each year.

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Note Payable	Early Retirement Payable	Total
Balance beginning of year	\$56,000	28,643	84,643
Additions	-	-	-
Reductions	<u>11,200</u>	<u>20,057</u>	<u>31,257</u>
Balance end of year	<u>\$44,800</u>	<u>8,586</u>	<u>53,386</u>

Note Payable:

The District has a \$112,000 note payable to Midland Power Cooperative with a zero per cent interest rate. The note is payable in ten equal annual installments of \$11,200 starting in July 2000 and ending with the July 2009 payment. These funds were made available through the Federal Rural Economic Development Loan and Grant Program and the funds were used to build an addition at the building in Grand Junction, Iowa to be used for the Iowa Communications Network (ICN) equipment and classes using that equipment.

## Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-nine and employees must have completed twelve years of continuous service to the District. Employees must also complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is equal to 100% of the difference between the salary schedule base and the employees placement on the salary schedule. Supplemental pay, extended contract and phase monies are not included. The early retirement incentive for each eligible non-certified employee is equal to 25% of that employees salary in the last year of employment subject to a maximum of \$8,000 per individual.

### (6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$128,599 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### (7) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05B	1/28/05	1/27/06	\$297,858	4,035	297,000	6,122
2005-06A	6/30/05	6/30/06	639,822	137	637,000	8,677
Total			<u>\$937,680</u>	<u>4,172</u>	<u>934,000</u>	<u>14,799</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500	2.280
2005-06A	3.500	2.903

**(8) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	<u>\$11,200</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**Required Supplementary Information**

## EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

## Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	1,862,438	56,581	1,919,019	1,830,938	1,830,938	88,081
State sources	1,817,284	2,079	1,819,363	1,867,515	1,867,515	(48,152)
Federal sources	229,570	79,105	308,675	269,000	269,000	39,675
Total receipts	3,909,292	137,765	4,047,057	3,967,453	3,967,453	79,604
Disbursements:						
Instruction	2,704,829	-	2,704,829	2,734,000	2,734,000	29,171
Support services	1,077,650	-	1,077,650	1,290,500	1,290,500	212,850
Non-instructional programs	3,224	135,438	138,662	133,000	133,000	(5,662)
Other expenditures	276,774	-	276,774	150,822	150,822	(125,952)
Total disbursements	4,062,477	135,438	4,197,915	4,308,322	4,308,322	110,407
Excess (Deficiency) of receipts over (under) disbursements	(153,185)	2,327	(150,858)	(340,869)	(340,869)	190,011
Other financing sources (uses)	-	-	-	11,200	11,200	(11,200)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(153,185)	2,327	(150,858)	(329,669)	(329,669)	178,811
Balance beginning of year	339,612	13,259	352,871	555,641	555,641	(202,770)
Balance end of year	186,427	15,586	202,013	225,972	225,972	(23,959)

See accompanying independent auditor's report.

**EAST GREENE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,909,292	74,907	3,984,199
Expenditures	<u>4,062,477</u>	<u>(62,160)</u>	<u>4,000,317</u>
Net	(153,185)	137,067	(16,118)
Other financing sources (uses)	-	-	-
Beginning fund balances	<u>339,612</u>	<u>(69,653)</u>	<u>269,959</u>
Ending fund balances	<u>\$ 186,427</u>	<u>67,414</u>	<u>253,841</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 137,765	15,433	153,198
Expenditures	<u>135,438</u>	<u>2,009</u>	<u>137,447</u>
Net	2,327	13,424	15,751
Beginning fund balances	<u>13,259</u>	<u>41,862</u>	<u>55,121</u>
Ending fund balances	<u>\$ 15,586</u>	<u>55,286</u>	<u>70,872</u>

See accompanying independent auditor's report.

## **EAST GREENE COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the non-instructional programs and other expenditures functions exceeded the amount budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information



## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Non-major Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	26,852	40,437	1,047	68,336
Property tax receivable:				
Current year	1,050	-	1,390	2,440
Succeeding year	85,000	-	85,446	170,446
<b>Total assets</b>	<u>112,902</u>	<u>40,437</u>	<u>87,883</u>	<u>241,222</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	85,000	-	85,446	170,446
Fund equity:				
Unreserved fund balance	<u>27,902</u>	<u>40,437</u>	<u>2,437</u>	<u>70,776</u>
<b>Total liabilities and fund equity</b>	<u>112,902</u>	<u>40,437</u>	<u>87,883</u>	<u>241,222</u>

See accompanying independent auditor's report.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Non-major Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	59,798	-	79,116	138,914
Other	3,992	120,031	4,807	128,830
State sources	45	-	59	104
Total revenues	63,835	120,031	83,982	267,848
Expenditures:				
Instruction:				
Regular instruction	31,152	-	-	31,152
Co-curricular instruction	-	122,532	-	122,532
Support services:				
Student support	10,266	-	-	10,266
Instructional staff support	3,433	-	22,592	26,025
Administration	4,074	-	-	4,074
Plant operation and maintenance	20,029	-	-	20,029
Student transportation	7,450	-	46,729	54,179
Other expenditures:				
Facilities acquisition and construction	-	-	58,245	58,245
Total expenditures	76,404	122,532	127,566	326,502
(Deficiency) of revenues (under) expenditures	(12,569)	(2,501)	(43,584)	(58,654)
Other financing (uses):				
Operating transfers (out)	-	-	(11,200)	(11,200)
(Deficiency) of revenues (under) expenditures and other financing uses	(12,569)	(2,501)	(54,784)	(69,854)
Fund balances beginning of year	40,471	42,938	57,221	140,630
Balance end of year	27,902	40,437	2,437	70,776

See accompanying independent auditor's report.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Advisory Committee	1,129	2,131	-	3,260
High School Student Council	445	564	960	49
Junior High Student Council	23	-	-	23
Drama	315	-	15	300
Science 7-12	23	-	-	23
Vocal Music	48	-	-	48
Instrumental Music	4,751	9,887	14,256	382
Library	178	-	-	178
Vocational Agriculture	4	-	-	4
FFA	407	-	-	407
SADD	232	370	412	190
Home Ec	558	953	451	1,060
Industrial Arts	30	-	-	30
Class of 2004	453	-	-	453
Class of 2005	9,136	2,214	10,434	916
Class of 2006	33	24,257	12,637	11,653
Class of 2007	47	3,704	1,769	1,982
Class of 2008	47	-	-	47
Assembly	972	960	191	1,741
Lockers	1,203	70	132	1,141
Photography	693	688	1,070	311
National Honor Society	323	29	-	352
Athletic Fund Balance	4,006	20,801	24,807	-
Athletic Special	6,596	14,714	16,388	4,922
Basketball	-	4,678	4,678	-
Boys Basketball Fundraiser	-	851	330	521
Girls Basketball Fundraiser	-	708	468	240
Football	-	3,448	3,448	-
Baseball	-	2,296	2,296	-
Volleyball	-	1,744	1,744	-
Volleyball Fundraiser	685	941	1,567	59
Track	-	600	600	-
Cross Country	-	-	-	-
Golf	-	-	-	-
Magazine Sales	-	2,180	2,180	-
Weight Room	2,821	2,417	2,245	2,993
Football Cheerleaders	91	212	198	105
Basketball Cheerleaders	59	417	476	-
Elementary Student Council	76	-	-	76
Elementary Yearbook	1,421	8,201	6,614	3,008
Art 1-6	1	-	-	1
Band - Elementary Resale	2,456	515	2,837	134
Annual	2,366	5,759	6,199	1,926
Art 7-12	332	385	10	707
Band - High School Resale	587	2,160	1,930	817
Art Club	391	1,177	1,190	378
Total	42,938	120,031	122,532	40,437

See accompanying independent auditor's report.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2005

	Morse- Kennedy	Vivian & Howard Cox	Junction Masonic	Claus Loof	Beaty	Class of 54 Scholarship	Miscellaneous Scholarship	Cronn Scholarship	Totals
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	-	72	-	-	-	1,000	-	1,072
Interest on investments	21	400	31	393	196	-	-	-	1,041
	<u>21</u>	<u>400</u>	<u>103</u>	<u>393</u>	<u>196</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>2,113</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	25	1,200	100	500	500	2,000	-	800	5,125
	<u>25</u>	<u>1,200</u>	<u>100</u>	<u>500</u>	<u>500</u>	<u>2,000</u>	<u>-</u>	<u>800</u>	<u>5,125</u>
Excess (deficiency) of revenues over (under) expenditures	(4)	(800)	3	(107)	(304)	(2,000)	1,000	(800)	(3,012)
Balance beginning of year	<u>1,037</u>	<u>25,734</u>	<u>1,708</u>	<u>20,320</u>	<u>10,998</u>	<u>2,000</u>	<u>-</u>	<u>800</u>	<u>62,597</u>
Balance end of year	<u><u>1,033</u></u>	<u><u>24,934</u></u>	<u><u>1,711</u></u>	<u><u>20,213</u></u>	<u><u>10,694</u></u>	<u><u>-</u></u>	<u><u>1,000</u></u>	<u><u>-</u></u>	<u><u>59,585</u></u>

See accompanying independent auditor's report.

## EAST GREENE COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	1,345,605	1,410,625	1,439,339	1,353,004
Mobile home tax	573	537	366	377
Local option sales tax	188,978	1,692	-	-
Income surtax	78,687	65,195	-	-
	<u>1,613,843</u>	<u>1,478,049</u>	<u>1,439,705</u>	<u>1,353,381</u>
State sources:				
State foundation aid	1,545,476	1,396,184	1,532,168	1,563,659
School improvement and technology	-	-	-	9,599
AEA flow through	128,599	130,621	141,165	142,476
Instructional support	17,293	15,083	16,627	18,209
Educational excellence program:				
Phase I	25,678	25,487	25,678	25,678
Phase II	33,803	34,774	36,702	38,369
Phase III	-	-	9,119	21,926
Non-public transportation aid	-	-	-	312
Vocational education aid	-	2,438	5,804	3,323
Iowa Early Intervention Block Grant	24,993	25,527	-	-
Revenue in lieu of taxes - military credit	1,007	647	679	673
Teacher mentoring program	1,300	1,300	-	-
Teacher quality/salary improvement	39,135	36,720	-	-
Other state aid	-	-	95,676	93,693
Lunch and breakfast programs	2,079	1,975	1,891	2,340
	<u>1,819,363</u>	<u>1,670,756</u>	<u>1,865,509</u>	<u>1,920,257</u>
Federal sources:				
Title I Grants to Local Educational Agencies	76,829	85,059	75,793	62,705
Safe and Drug Free Schools	3,173	3,039	2,479	910
Improving Teacher Quality - Grants to States	19,931	19,431	-	-
Data Driven Leadership Grant	-	2,700	-	-
Innovative Education Program Strategies	2,119	-	3,313	3,410
Rural Education Achievement Program	27,699	28,431	-	-
Special Education - Grants to States				
IDEA Part B	21,874	18,248	-	-
Grants for Assessments and Related Activities	4,392	-	-	-
Reading First	73,553	-	-	-
Food Distribution	9,492	10,028	-	-
National School Lunch and Breakfast Programs	79,105	68,149	66,550	67,795
Other	-	-	99,344	10,678
	<u>318,167</u>	<u>235,085</u>	<u>247,479</u>	<u>145,498</u>
Total	<u>3,751,373</u>	<u>3,383,890</u>	<u>3,552,693</u>	<u>3,419,136</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of the  
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the East Greene Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Greene Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Greene Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Greene Community School District and other parties to whom East Greene Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

August 29, 2005

**EAST GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

05-I-A      Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

05-I-B      Use of Signature Stamp - We noted that the Board President used a signature stamp to sign checks. We determined that control of the stamp was not maintained by the Board President, rather by the District Secretary. This allows the District Secretary to control both signatures required to sign checks under the Code of Iowa.

Recommendation - We recommend that control of the signature stamp be maintained by the Board President. If necessary, another individual may be designated to sign checks in the Board President's absence.

Response - We will investigate possible alternatives.

Conclusion - Response accepted.



**EAST GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Required Statutory Reporting:**

05-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B      Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E      Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy Bardole, Board Member	Coaching	\$2,499
Katherine Nease, Board President	Substitute nurse	\$ 90

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since they totaled less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

05-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

05-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

**EAST GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 05-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.